

MINUTES OF THE SPECIAL JOINT CITY COUNCIL,
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY (ARRA)
AND COMMUNITY IMPROVEMENT COMMISSION (CIC) MEETING
WEDNESDAY- -DECEMBER 2, 2009- -7:01 P.M.

Mayor/Chair Johnson convened the Joint Meeting at 8:09 p.m.

ROLL CALL - Present: Councilmembers / Board Members /
Commissioners deHaan, Gilmore, Matarrese,
Tam and Mayor/Chair Johnson - 5.

Absent: None.

MINUTES

(09-494 CC/09-54 CIC) Minutes of the Special Joint City Council and
CIC Meeting held on November 17, 2009. Approved.

Vice Mayor/Commissioner deHaan moved approval of the Minutes.

Councilmember/Commissioner Tam made a correction to page 1.

Councilmember/Commissioner Tam seconded the motion, which carried
by unanimous voice vote - 5.

REGULAR AGENDA ITEM

(09-55 CIC) Update on Alameda Landing

The Economic Development Director gave a brief presentation.

Chair Johnson inquired whether the second amendment to the
Disposition and Development Agreement (DDA) has been adopted, to
which the Economic Development Director responded in the
affirmative.

Commissioner Matarrese inquired whether the Commission has an \$8
million obligation to Catellus because they bought the [Stargell]
right-of-way.

The Economic Development Director responded that is correct if
Catellus does not move forward with the project; the amount would
be slightly less because a small retail parcel was included.

Commissioner Matarrese requested a table with all of the details;
stated the Commission is spending money that Catellus is obligated

to reimburse; a ledger should be prepared showing the balance of the reimbursements on both sides; \$2 million was spent on the hospital that burned down; all future updates should show the balance on both sides.

The Economic Development Director continued the presentation.

Chair Johnson inquired what Catellus is supposed to be doing now.

The Economic Development Director responded Catellus is supposed to be moving forward with the project; stated milestones provide outside deadlines; new design review is needed for the alternative first phase; continued the presentation.

Chair Johnson requested information on the number of people employed for the Stargell project.

Commissioner Tam stated \$3 million was borrowed from the Sewer Fund because Catellus was not able to provide the match for the STIP; inquired how the amount would be repaid.

The Economic Development Director responded lease revenues from the Fleet Industrial Supply Center (FISC) budget; stated a minimum of \$90,000 has to be repaid each year; however, the plan is to repay the full amount in five years.

Commissioner Tam stated that she was asking about the Sewer Fund because letters have been received about rat infestations at Alameda Point; there have been sewer overflow issues; that she is concerned about repayment in the event a major repair is needed.

The Economic Development Director stated lease revenues from ARRA cover Alameda Point; funds are separate.

The Interim Executive Director stated there are questions about whether the rat infestation is the ARRA portion of the sewer or somewhere else; the matter could be addressed later; the loan was done because staff felt it was important to protect STIP funding; the Public Works Director would address the Sewer Fund at a later time.

Commissioner Matarrese stated the CIC has to repay the Sewer Fund; inquired whether CIC funds are vulnerable to State taking, to which the Economic Development Director responded in the affirmative; stated FISC funds would be used first.

Commissioner Matarrese inquired whether repaying the loan would help keep the funds from the State, to which the Interim Executive Director responded it is the opposite; the State cannot take debt.

The Economic Development Director stated the payment to the State is from tax increment money, which is not being used to repay the Sewer Fund.

Commissioner Matarrese stated the loan should be repaid if the line gets crossed at some point and the debt is not worth carrying.

The Economic Development Director stated the State structured the statutes so that agencies with debt are not obligated to make payment; however, the General Fund can make the payments; agencies are shut down until payments are made.

Commissioner Matarrese stated the issue could be addressed in an Off Agenda Report.

Commissioner Tam inquired whether the entire redevelopment agency is shut down [in the event of non-payment].

The Economic Development Director responded the States shuts down agencies administratively; stated only up to 75% of the previous year administration costs can be spent; bonds and new projects are not allowed; limited housing can be done; continued the presentation.

Chair Johnson inquired whether the whole hospital structure is gone, to which the Economic Development Director responded not completely.

Chair Johnson inquired whether removing the building after the fire was more costly, to which the Economic Development Director responded Catellus bids show demolishing the building before the fire would have been less expensive.

Chair Johnson inquired whether an investigation was conducted regarding whether the Fire Department let the building burn and if so, what were the results.

The Interim Executive Director responded that she would find out and provide information.

Commissioner deHaan stated a report was supposed to come back.

Chair Johnson stated the fire ended up costing a lot of money.

The Economic Development Director stated costs escalated when the material burned because hazardous material mixed with non-hazardous material.

Commissioner deHaan inquired whether the costs of fighting the fire and monitoring the site are included in the \$2.2 million, to which the Economic Development responded the cost is the contract cost and does not include Fire Department costs.

Commissioner deHaan questioned whether including the costs of fighting the fire would be appropriate; stated that he believes so because Catellus was tasked with demolishing the building and neglect caused it to end up being burned; various loans have been provided; inquired whether all loans have payback agreements.

The Economic Development Director responded in the affirmative; stated there are promissory notes.

Commissioner deHaan inquired about the duration of loans and whether loans have interest, to which the Economic Development Director responded the sewer loan has interest; stated that she does not believe the loan from the ARRA to the CIC has interest but the loan is to be paid back from the first developer proceeds.

Commissioner deHaan stated the ledger has two sides; Catellus putting up \$8 million is commendable; the other side of the ledger has \$5.2 million; the delta is closing; the last update in March indicated there has been no activity for six months; nine months later there has been no activity, except City activity; inquired what oversight the City has to hold the developer's feet to the fire.

Chair Johnson stated the question goes back to what the developer is supposed to be doing now.

The Economic Development Director responded the developer is supposed to be facilitating a first phase prior to the outside deadline of 2012.

Chair Johnson inquired whether specific things are required.

Commissioner deHaan inquired whether there is not a take down requirement.

The Economic Development Director responded in the negative; stated the developer does not have to take down any property until after the 2012 period; pre-conditions to taking down property, including plans and engineering, have to be done to facilitate the transfer of the property and start of construction; by 2012, all of those things need to be done or the developer needs to inform the Commission that they will not be moving forward with a project.

Commissioner Matarrese inquired whether all the things that need to be done to take down the property need to be done by 2012 and whether there is a list of the items, to which the Economic Development Director responded in the affirmative; stated entitlement actions have to be in place; the developer is coming back with a schedule and wants to work towards having construction start within the next 18 months to two years; to do so, plans would have to be submitted by January or February of next year.

Commissioner Matarrese inquired whether the developer would meet the schedule, to which the Economic Development Director stated the developer is working very hard with a key tenant to come forward with a project.

In response to Chair Johnson's inquiry about what would be presented to the Planning Board in January or February, the Economic Development Director stated a new design review permit would be needed.

Chair Johnson stated demolition and backbone have to be done by 2012; inquired whether the developer would be in default if they are not ready to go by December 2012.

The Economic Development Director responded in the affirmative; stated take down is not required for a couple of years after.

Chair Johnson inquired whether anything between now and 2012 would cause the developer to be in default, to which the Economic Development Director responded in the negative.

Commissioner deHaan stated the developer is land banking because of the market.

The Economic Development Director stated consideration was given because Catellus provided money for [Stargell] right-of-way acquisition; being ready for construction will take 18 to 24 months; old infrastructure needs to be ripped out and new infrastructure needs to be installed.

Commissioner Matarrese stated that he appreciates the investment of \$8 million for the right-of-way, which is also for Alameda Point, not just Alameda Landing; something got done; the College got a laboratory; 2012 is not far away; that he wants to hear what is being done to meet the deadline; the City should be thinking about a Plan B if things are not on track and the milestone is not met.

The Economic Development Director stated alternative strategies include interim leasing in two warehouses.

In response to Chair Johnson's inquiry about interim leasing, the Economic Development Director stated the minimum lease time would need to be three years to cover rewiring costs.

Commissioner Matarrese stated negotiations could be done if the prospect is that the [2012] deadline might not be met; that he wants to hear from Catellus about what is occurring.

Chair Johnson stated the interim leasing improvements could be amortized in three years; the demolition and backbone will take two more years; the project is phased; interim leasing could be done; the frustration is nothing is being done; that she understands the economy; the City appreciates the \$8 million to get Stargell done; the perception is nothing is being done.

Commissioner Gilmore stated Catellus stepped up and facilitated Stargell; the City is not out trying to attract tenants; getting financing is very difficult; banks are not lending and are sitting on cash waiting for the commercial real estate market implosion; that she understands the frustration and feels it; however, the developer is trying to bring in a tenant in the worst market since the depression.

Mayor Johnson stated Catellus obtained the project entitlement during the good economy; stated that she is anxious to hear what is being done; inquired what year Catellus received entitlement.

The Economic Development Director responded the original DDA was approved in 2000; the project was bifurcated in 2003 to allow Bayport to go forward; re-entitlement was not done until 2006.

Chair Johnson inquired what year the Exclusive Negotiation Agreement (ENA) was done.

The Economic Development Director responded that she does not have

the history; stated that she heard there was not a lot of interest in the property.

Commissioner deHaan stated five developers were boiled down to three and all were substantial companies capable of completing the project.

The Economic Development Director stated the 2003 changes recognized the office market was gone.

Chair Johnson stated housing would not be built right now because houses would not sell even if financing could be secured.

The Economic Development Director stated half of the potential tenants from one year ago do not exist.

Sean Whiskeman, Vice President of Retail Operations for Catellus, gave a brief presentation on the history of the company and project; stated Catellus has a signed letter of intent with Target and is in active negotiations with several other retailers; Catellus is in a position to justify a project that is quite a bit larger than the project that went through the community and staff; the City's [2004] Retail Study put the project on hold; Catellus has not been sitting idle; the real [investment] number is close to \$20 million, including entitlement money, designs and plans, without any return.

Chair Johnson stated the City has been involved in the steps; not a lot has happened in the past couple of years.

Mr. Whiskeman stated it is a new market; the rules changed September 2008; retailers have put expansion plans on hold, filed bankruptcy or liquidated; Catellus has to have a tenant in order to justify the construction expense; building cannot be done on a speculative basis; discussed the Target negotiations and deal; stated Catellus hopes to commence the process in early 2010 and is excited about discussions with a potential second anchor.

Chair Johnson stated the fundamental question is whether Catellus will be able to meet the first performance milestones.

Mr. Whiskeman stated Catellus is very aware of the timeframes, believes milestones can be met and is reviewing commencing the first residential phase, which would have a significant lead up; Catellus is trying to advance aspects other than just retail.

Chair Johnson inquired whether the demolition and backbone conditions would be met by December 2012, to which Mr. Whiskeman responded in the affirmative; stated Catellus could even be ahead of schedule.

Chair Johnson inquired whether something would be submitted to the Planning Board in January or February.

Mr. Whiskeman responded in the negative; stated the process would start; the site plan works but needs to be revisited; starting in early 2010, Catellus would work with staff to build the package and address issues.

Chair Johnson stated the Commission needs to hear whether or not the project will move forward; Catellus should not plan on land banking; her intent is not to allow the land to sit.

Mr. Whiskeman stated dialog with staff would continue; nothing will sneak up on anyone; that he is making a presentation to the West Alameda Business Association (WABA); Catellus has supported WABA events and pledged money to the Miracle League.

Chair Johnson stated more frequent reports would help the Commission understand the status.

Mr. Whiskeman stated that he would be happy to do so; one of the DDA commitments is to meet with the City Manager's office once a quarter, which has been done.

Chair Johnson inquired whether the leasing discussed is for existing structures, to which Mr. Whiskeman in the negative.

Commissioner Matarrese stated the quarterly meetings should be official reports to allow the Commission to hear directly from the developer.

Mr. Whiskeman noted names [of potential tenants] would not be discussed in public.

Commissioner Matarrese stated that he wants to hear about activities; the Commission needs to be informed if the project is dead in order to start formulating decisions that would need to be made in the event the milestone is not met.

Chair Johnson inquired whether the December 2012 decision point would be whether the project would go forward as scheduled or if

there would be an extension or adjustment of the milestones, to which Mr. Whiskeman responded Catellus should know long before [December 2012].

Chair Johnson inquired when Catellus would have a good sense of whether Target wants to come to Alameda.

Mr. Whiskeman stated Catellus has a good sense that Target wants to come to Alameda now; it is the beginning of a long process; Catellus will work towards needed approvals to meet the projected opening date.

Chair Johnson inquired what is the opening date.

Mr. Whiskeman responded the date is in flex right now, but is before December 2012.

Commissioner deHaan stated when Catellus was bought out, it was six to eight months before decisions were made about the company continuing to do development; in the past, not too many acres were going to be given to Target; the staff report indicates Target would now have 10 acres and be sprawling; inquired whether Catellus is contemplating selling off that much property.

Mr. Whiskeman stated the project would be one of Target's smaller stores and would be around 130,000 square feet.

Commissioner deHaan inquired how much parking would be required, to which Mr. Whiskeman responded right now the project includes the City maximum of 4 spaces per 1,000 square feet.

In response to Commissioner deHaan's inquiry, Mr. Whiskeman stated Target prefers to be part of a shopping center, but does do stand alone stores; noted guidelines setting maintenance standards would be recorded against the property.

Commissioner deHaan inquired whether Catellus anticipates developing the shoreline.

Mr. Whiskeman responded Catellus has an interest; stated there are restrictions; the largest available land use is commercial/office; amenities will be out near the waterfront; other land uses are being considered, such as senior housing.

Commissioner deHaan inquired whether longer-term leases could be done to span the time.

Mr. Whiskeman responded Catellus is open to cooperating; stated many buildings are generating revenues.

Commissioner Tam stated Catellus has been in various negotiations in the past including Clif Bar and Target; requested that Mr. Whiskeman elaborate on lessons learned; inquired whether Target terminated a previous letter of intent.

Mr. Whiskeman responded that he was not involved with Clif Bar negotiations; stated the site and building could not be delivered in a time frame that worked for Clif Bar; the first time around with Target, the City made a decision to take a collective time out to do the Retail Study; analysis took time.

Chair Johnson stated the City is fortunate office buildings were not constructed because they would have been empty; Towne Centre would have been half empty if Catellus had gone forward with the retail; buildings would be empty if the City had been more aggressive.

Commissioner deHaan noted that the City of Alameda did everything possible to move the Clif Bar project forward.

Mr. Whiskeman stated Catellus underestimated what it would take to deliver the site to Clif Bar.

Chair Johnson stated Clif Bar was concerned about being in the area alone; other businesses would not commit to locate at the site.

Commissioner Tam stated Catellus has holdings in other Bay Area locations; inquired whether getting a planned development to move forward in Alameda is more difficult than other cities.

Mr. Whiskeman responded the 1.1 million square foot project in Fremont was a different experience because the site is not near residential and there was a lot of City and community support.

Chair Johnson stated projects get sidetracked, such as the gas station at Towne Centre; the process needs to be streamlined and should not take so long.

Mr. Whiskeman noted it costs money when approvals take a long time.

Commissioner Tam stated community members are concerned that there should be a way to control the mix or types of stores that go into

a retail development; people want stores similar to Emeryville; inquired how high end stores make decisions about where to locate and whether said stores would go in next to a Target.

Mr. Whiskeman responded the City is an Island with a primary trade area that can only rely on Alameda, which is almost always not enough; high end retailers end up in communities with a greater draw; provided examples; stated there are exceptions.

Commissioner Matarrese stated limitations are understood, but the project needs to be sold.

In response to Chair Johnson's inquiry regarding retail leakage, Mr. Whiskeman stated Target has been trying to locate in Alameda for ten years.

Chair Johnson stated the City needs to be ready to proceed when Target is ready.

Commissioner deHaan noted Bridgeside did not live up to expectations; stated Catellus is required to inform the City about the type of businesses that will be built.

Mr. Whiskeman stated the retail industry has changed; disposable dollars have evaporated; the way people shop is changing.

In response to Chair Johnson's inquiry about current leakage numbers, Commissioner Tam stated the 2006 leakage report shows the City loses \$0.74 of every \$1.00.

Commissioner Matarrese stated quarterly updates are important to ensure months do not go by without addressing where things are going and the Commission can help manage the process and set priorities; an objectionable project will not go forward because times are tough; the Commission will not let Target slip through the City's fingers.

Chair Johnson stated standards should be set in advance for businesses trying to locate in Alameda; the City's procedures need to be set so locating in Alameda is not a multi-year process.

Commissioner Gilmore stated the Commission looks forward to Catellus returning in three months time for additional discussions; public, developer and tenants expectations need to be managed for development projects; the City's task going forward is to let everyone know how long the process takes and what is possible.

Commissioner Matarrese stated Target should be mindful of the City's past discussions on labor, big box and parking requirements; the laundry lists should be revisited; the City needs to clear the way and ensure people understand what is coming.

Mr. Whiskeman stated people in the industry might be willing to come to the quarterly updates to provide additional information.

COUNCIL REFERRAL

(09-495 CC/ARRA/09-56 CIC) Discussion of Policies for Leases at the ARRA and Tidelands Leases under the City's Jurisdiction.

Councilmember/Board Member/Commissioner Matarrese made the referral because it dovetails on earlier discussions regarding the maritime industry in Alameda. He would like to have the Council/ARRA/CIC provide direction to the Interim City Manager to look at leasing policies and consider a few points: 1) look at terms of leases and the City's ability to have longer term leases with the goal of building a business community and a business sector out at Alameda Point that will be the future commercial occupants, so that the developer does not say there is no market for commercial at entitlement; 2) because we are an island and have a great seaside location, there need to be review of what can be done to support and make-healthy marine-related industries, whether it is ship building or the private boat sector, which throws off a significant amount of sales tax; 3) also look at protecting the waterfront - a lot of installations are on tidelands where there is potential for someone else to maintain the bulkheads and the shore side investments. The key issue is creating a leasing policy to grow a diverse commercial sector and not a monolithic commercial sector; leasing strategies should include a diverse economic base to take advantage of potential, such as maritime industry, a growing specialty foods industry, a wine and distillation industry, entertainment production, and a potential for green businesses. If marketed correctly and the City can get some relief from the Navy on the provision of unilateral termination of leases, in order to build the sector that is going to be the future commercial tenants; risk will be spread in economic downturns and benefit to the City will be maximized that will also relieve over-reliance on residential property taxes. He would like to get direction on giving these points to the City Manager and looking at revising lease policies that go back to 2007.

Councilmember/Board Member/Commissioner Gilmore stated that if the

Council/Board/CIC decides that this is a good idea, changes should not be done in a vacuum. One of the items pulled from the agenda the other night was a long-term lease with WETA. The WETA lease should be analyzed in the context of whatever new policies are created, because that could very well be the template for moving forward as WETA will be a major tenant out there for a very long period of time. How the City deals with WETA could very well set the stage for how the City deals with any other industries. It is something in hand now, is not something being theoretically talked about, and is also a maritime industry.

Councilmember/Board Member/Commissioner Matarrese added that WETA is trailing \$20 million that they want to plant on the shoreline. His main point is that templating leases was tried before. There are some speakers that can talk specifically about some of the unique facets of the private marine industry; WETA is a public agency with a different guarantee of revenue than the private sector. The City has to diversify and look at policies not in a template, but against goals; some goals may not be revenue-participation as mentioned in 2007, but may be more investments in the land side structure to keep the bulkheads intact so that the Island does not slide into the water, or to maintain the berths, or to bring jobs, or to generate sales tax. Opening with a set of goals to attract and establish desirable businesses and industry at Alameda Point, have diversity rather than a monolithic, single sector-driven development, which could be the future of commercial development; when entitlement happens, the developer does not come back to tell the City that they have to build more houses because there is no commercial market. The City should build its own market, look at the issue comprehensively and set up a flexible policy, more goal-driven, and not narrow.

Mayor/Chair Johnson clarified that there is no current leasing policy in place except for de facto policy; potential tenants go through a lengthy and delayed process and eventually give up.

The Interim City Manager stated that one of the ways to tackle the issue, because it is comprehensive, rather than wait 90-120 days for a paper with a huge narrative, is to engage in dialogue. Suggested the issue be placed as an item on the ARRA meeting in February and a discussion start with a City Manager presentation of a working outline that deals with policy parameters, financial issues, users, the major big categories; then take Council's thoughts, incorporate them, have dialogue and get reactions to the working draft outline before staff starts crafting language and finds out it is going in a totally different direction than the

Council wants to go. A comprehensive asset management policy and strategy will take months to draw up, so before staff starts off in one direction, let's get a working outline, make sure we are on the right track in terms of business points, and then it is easier to go back and deal with the language.

Mayor/Chair Johnson called the speakers: Andy McKinley, General Manager and Harbor Master of Grand Marina, expressed his support in working with the City to maximize the income from the marine industry. He provided the Board with a copy of a letter regarding an economic threat (permit) by the State Water Resources Control Board.

Bill Elliot, Bay, Ship & Yacht Company President expressed his concern about the two owners (Alameda Gateway and the City) of the property which Bay Ship & Yacht occupies; that they are in litigation, which puts their business in an unsuitable situation. He wants to work with the City to draw up a lease, which is mutually beneficial to all parties.

Mayor/Chair Johnson recommended that a more appropriate approach for Mr. Elliot to discuss this issue is to set up a meeting with staff, as the larger impediment is the litigation.

The Interim City Manager agreed and stated that it is a strategic issue and is best that the Council has an opportunity to discuss the issue in Closed Session and get an update from the City Attorney as to the status of the litigation, and to see what role, if any, the Council and staff can deal with in terms of the strategy with respect to the litigation and how it can positively impact Bay Ship & Yacht. As the Mayor stated, the issue needs to be carefully discussed inside so as not to compromise either side.

Bob Henn, Bay Ship & Yacht, also supports having a dialogue with the City. The Assistant City Attorney committed to calling Mr. Henn to discuss the issue without possibly jeopardizing any confidential settlement communications.

Leslie Cameron, Owner of Bay Ship & Yacht, supports a continued relationship between the City and Bay Ship & Yacht and stated some key points: Bay Ship & Yacht provides \$90,000 to \$110,000 sales tax dollars per year, has spent \$17 million on its facility, pays over \$100,000 per year in property taxes, spent \$600,000 in Alameda this year, and is actively involved in many community projects. Bay Ship & Yacht currently employs 250 people. Ms. Cameron expressed that she appreciates the support of the City.

Councilmember/Board Member/Commission Tam made statements to understand and clarify the discussion. She stated that the issue of Bay Ship & Yacht and the revision of the guidelines are separate matters. She further stated that Councilmember/Board Member/Commissioner Matarrese has submitted a request to revise the policies for leases at Alameda Point.

The Interim City Manager suggested a fuller discussion at the next ARRA meeting be held to try to understand expectations and develop an asset management strategy.

The Council/ARRA/CIC agreed with Councilmember/Board Member/Commissioner Tam's statements and agreed with the Interim City Manager's recommendation to itemize the issue to discuss and create a working draft outline at the next ARRA meeting in February.

ADJOURNMENT

There being no further business, Mayor/Chair Johnson adjourned the Joint Meeting at 11:04 p.m.

Respectfully submitted,

Lara Weisiger, City Clerk
Secretary, CIC

Irma Glidden
Secretary, ARRA

The agenda for this meeting was posted in accordance with the Brown Act.